# CROWLEY, MILNER AND COMPANY

DETROIT 26, MICHIGAN

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# *Annual Report*

JANUARY 31, 1958

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THE DETROIT BANK & TRUST COMPANY
DETROIT, MICHIGAN

*Registrar—Common Stock*
MANUFACTURERS NATIONAL BANK
DETROIT, MICHIGAN

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*Counsel*
DYKEMA, JONES, WHEAT, SPENCER & GOODNOW
DETROIT, MICHIGAN

*Auditors*
ERNST & ERNST
DETROIT, MICHIGAN

## CROWLEY, MILNER AND COMPANY

**DETROIT 26, MICHIGAN**

April 3, 1958

TO OUR STOCKHOLDERS:

The annual financial report of Crowley, Milner and Company for the year ended January 31, 1958, is presented herewith:

| OPERATING RESULTS | Year Ended January 31 1958 | 1957 |
|---|---|---|
| Net Sales | $22,522,697 | $24,415,934 |
| Profit before Federal Income Taxes | 217,876 | 393,008 |
| Federal Income Taxes | 56,290 | 183,000 |
| Net Profit | 161,586 | 210,008 |
| Dividends Paid | 101,830 | 101,830 |
| Number of shares of Common Stock outstanding | 339,433 | 339,433 |
| Net Profit per share of Common Stock | 0.48 | 0.62 |
| Dividends per share of Common Stock | .30 | .30 |
| Net Assets (Book Value) per share of Common Stock | 22.46 | 22.29 |
| Net Amount of Inventory reduction due to Lifo method of valuation | 146,151 | 111,595 |
| Provision for Depreciation | 146,396 | 154,789 |
| Ratio of Current Assets to Current Liabilities | 4.19 to 1 | 3.83 to 1 |

Operations for the year include an income item of $59,485 (less applicable capital gains tax of $20,000) representing gain recognized under the installment method from the sale of approximately nine acres of land located at Meyers and McNichols Road in Northwest Detroit. The remaining deferred income from the transaction amounts to $185,466, which will be recognized as income in the future as cash payments are received.

Operations for the year were charged with an amount of $34,556 representing an addition to the Lifo inventory reserve. This amount compares with $63,432 for the previous year.

The increase in working capital of $5,971 during the year resulted from the following:

| | | | |
|---|---|---|---|
| Additions: | | | |
| Net profit for the year | | $161,586 | |
| Provision for depreciation | $146,396 | | |
| Less realized portion of gain on sale of real estate | 79,485 | 66,911 | |
| Additions from operations | | $228,497 | |
| Payment on land contract arising from sale of real estate | | 150,000 | |
| Total Additions | | | $378,497 |
| Deductions: | | | |
| Dividends paid | | $101,830 | |
| Payment on long-term debt | | 100,000 | |
| Additions to properties and leasehold improvements, including $100,000 for land in the Westborn Shopping Center | | 155,312 | |
| Additional investment in parking facility | | 5,000 | |
| Increase in miscellaneous assets | | 4,746 | |
| Increase in prepaid expenses | | 5,638 | 372,526 |
| Increase in working capital | | | $ 5,971 |

## ACCOUNTS RECEIVABLE

A summary of outstanding customers' accounts follows:

| TYPE OF ACCOUNT | Jan. 31, 1958 | Jan. 31, 1957 |
|---|---|---|
| Thirty-day charge accounts | $1,617,449 | $1,595,883 |
| Deferred payment accounts (Maximum term 24 months) | 1,657,219 | 1,895,206 |
| Weekly payment accounts (Maximum term 20 weeks) | 979,559 | 901,583 |
| C.O.D., Will call, Debit balances against vendors, etc. | 166,424 | 190,403 |
| | $4,420,651 | $4,583,075 |
| Less: | | |
| Allowances for doubtful accounts | $ 125,000 | $ 125,000 |
| Deferred payment contracts sold to bank | 264,491 | 401,777 |
| | 389,491 | 526,777 |
| | $4,031,160 | $4,056,298 |

Losses from uncollectible accounts amounted to $52,336 for the current year as compared to $59,597 for the previous year.

## INVENTORY

Our analysis of the age of merchandise on hand shows that 8.32% consisted of merchandise over one year old which compares with 7.38% for last year. Inventory turnover based upon average monthly retail inventories was 3.1 times as compared to 3.2 times for the previous year.

## PROPERTY ACCOUNTS

During the year we sold approximately nine acres of land (which was acquired in 1950) located at Meyers and West McNichols Road in Northwest Detroit for $500,000 for which we received a cash payment of $150,000 and a land contract for $350,000 payable over a three-year period.

During the year land in the Westborn Shopping Center was acquired at a cost of $100,000. On February 24, 1958, this land was sold back to the developer for the original purchase price of $100,000 to be paid in full on or before August 24, 1958.

## SUBURBAN STORE EXPANSION

On February 24, 1958, we entered into a lease agreement covering our first suburban store to be erected in Westborn Shopping Center located in the West Dearborn section of Dearborn, Michigan, approximately 12 miles from downtown Detroit. The Shopping Center will be composed of about 20 stores totaling 230,000 square feet of store space and will provide free parking space for 2,000 cars. Our unit will be the principal store in the development and will have a lower, first, and second level connected by escalators and elevators and will have a total floor area of 106,000 square feet.

Construction of the Center was started in March, 1958, and it is anticipated that the Center will be ready for occupancy on or before February 1, 1959.

## APPRECIATION

We wish to express our appreciation to our employees, New York buying organization, suppliers, and stockholders for their continued fine cooperation and loyalty.

Very truly yours,

J. H. Chamberlain

President

# BALANC

## CROWLEY, MILNE

### ASSETS

| | Jan. 31, 1958 | Jan. 31, 1957 |
|---|---|---|
| **Current Assets** | | |
| Cash | $ 584,232 | $ 878,094 |
| United States Government securities—at cost and accrued interest (approximate market) | 354,363 | 212,869 |
| Trade accounts receivable (including installment accounts), less allowance of $125,000 for doubtful accounts, and less $264,492 at January 31, 1958, and $401,777 at January 31, 1957 of installment contracts sold | 4,031,160 | 4,056,298 |
| Inventories on hand and in transit—at cost determined on a last-in, first-out basis by the retail inventory method, less allowance of $110,000 at January 31, 1958, and $118,000 at January 31, 1957, for purchase discounts | 3,651,685 | 3,726,753 |
| Total Current Assets | $ 8,621,440 | $ 8,874,014 |
| **Other Assets** | | |
| Land contract receivable (including interest $4,375) | $ 354,375 | $ —0— |
| Investment in parking facility—at cost | 435,000 | 430,000 |
| Miscellaneous accounts | 33,055 | 32,685 |
| Total Other Assets | $ 822,430 | $ 462,685 |
| **Property, Equipment, and Leasehold Improvements—on basis of cost** | | |
| Land and buildings owned | $ 829,726 | $ 945,743 |
| Buildings and improvements on leased land | 4,514,701 | 4,587,909 |
| Furniture, fixtures, and equipment | 942,453 | 1,030,127 |
| | $ 6,286,880 | $ 6,563,779 |
| Less allowances for depreciation and amortization | 4,826,104 | 4,876,871 |
| Total Properties—Net | $ 1,460,776 | $ 1,686,908 |
| **Leaseholds and Good Will** | 1 | 1 |
| **Prepaid Expenses** | | |
| Supply inventory, insurance, and other prepaid expenses | 160,609 | 154,971 |
| | $11,065,256 | $11,178,579 |

# E SHEET

## R AND COMPANY

### LIABILITIES

| | Jan. 31, 1958 | Jan. 31, 1957 |
|---|---|---|
| **Current Liabilities** | | |
| Trade accounts payable | $ 1,180,765 | $ 1,296,005 |
| Pay rolls and pay roll deductions | 205,376 | 214,028 |
| Accrued property taxes | 392,837 | 401,565 |
| Miscellaneous taxes | 74,248 | 84,925 |
| Federal taxes on income—estimated | 102,035 | 209,783 |
| Current maturities of long-term debt | 100,000 | 107,500 |
| Total Current Liabilities | $ 2,055,261 | $ 2,313,806 |
| **Long-Term Debt** | | |
| Note payable to insurance company, due $100,000 annually—Note A | $ 1,300,000 | $ 1,400,000 |
| Other note payable | —0— | 7,500 |
| | $ 1,300,000 | $ 1,407,500 |
| Less current maturities | 100,000 | 107,500 |
| Long-Term Debt | $ 1,200,000 | $ 1,300,000 |
| **Deferred Income**—unrealized gain on sale of real estate | 185,466 | —0— |
| **Capital Stock and Surplus** | | |
| Common Stock, par value $1 per share: | | |
| Authorized and issued—352,250 shares | | |
| In treasury—12,817 shares | | |
| Outstanding—339,433 shares | $ 339,433 | $ 339,433 |
| Capital surplus | 2,410,247 | 2,410,247 |
| Earned surplus—Note A | 4,874,849 | 4,815,093 |
| Total Capital Stock and Surplus | $ 7,624,529 | $ 7,564,773 |
| **Long-Term Lease Commitments**—Note B | | |
| | $11,065,256 | $11,178,579 |

See notes to financial statements.

# STATEMENT OF PROFIT AND LOSS

## CROWLEY, MILNER AND COMPANY

| | Year Ended January 31 | |
|---|---|---|
| | 1958 | 1957 |
| Net sales (including sales of leased departments) | $22,522,697 | $24,415,934 |
| Costs and expenses: | | |
| Cost of merchandise sold, workroom costs, and buying and occupancy expenses | $17,388,168 | $18,734,438 |
| Publicity, selling, and administrative expenses, less deferred-payment-account fees | 4,962,276 | 5,262,095 |
| Provision for loss on bad accounts, less recoveries | 52,336 | 59,596 |
| | $22,402,780 | $24,056,129 |
| Operating Profit | $ 119,917 | $ 359,805 |
| Other income: | | |
| Interest earned | $ 10,807 | $ 5,715 |
| Adjustment of property accounts to income-tax basis | —0— | 36,653 |
| Income from property not used in operations, less expenses | 33,870 | 17,918 |
| Realized gain on sale of real estate (installment basis), less applicable income taxes of $20,000 | 59,485 | —0— |
| Miscellaneous income | 72,413 | 57,877 |
| Total Other Income | $ 176,575 | $ 118,163 |
| | $ 296,492 | $ 477,968 |
| Other deductions: | | |
| Interest expense | $ 60,536 | $ 63,979 |
| Miscellaneous deductions | 18,080 | 20,981 |
| Total Other Deductions | $ 78,616 | $ 84,960 |
| | $ 217,876 | $ 393,008 |
| Federal taxes on income—estimated: | | |
| Provision for the year, exclusive of $20,000 on gain above | $ 79,000 | $ 183,000 |
| Less unrequired provisions of prior years | 22,710 | —0— |
| | $ 56,290 | $ 183,000 |
| Net Profit | $ 161,586 | $ 210,008 |

Provision for depreciation of buildings and equipment and amortization of leasehold improvements amounted to $146,396 for 1958 and $154,789 for 1957.

See notes to financial statements.

# STATEMENT OF EARNED SURPLUS

## CROWLEY, MILNER AND COMPANY

| | Year Ended January 31 | |
|---|---|---|
| | 1958 | 1957 |
| Balance at beginning of year | $ 4,815,093 | $ 4,706,915 |
| Net profit for the year | 161,586 | 210,008 |
| | $ 4,976,679 | $ 4,916,923 |
| Cash dividends paid—$0.30 a share | 101,830 | 101,830 |
| Balance at end of year | $ 4,874,849 | $ 4,815,093 |

## NOTES TO FINANCIAL STATEMENTS

### Year ended January 31, 1958

Note A—In connection with the long-term note payable to insurance company, the Company is required to make annual payments of $100,000 on June 1st of each year until June 1, 1965, when the remaining balance is due. Among other covenants of the loan agreement, the Company has agreed that it will not permit working capital to be less than $3,750,000 and has agreed to other restrictions on the payment of dividends, the general effect of which is that cash dividends paid and purchases of Common Stock after January 31, 1950, are limited to an aggregate amount which does not exceed 70% of net profits after that date. At January 31, 1958, earned surplus in the amount of $936,724 was free of such restrictions.

Note B—The leases covering the Company's store premises expire June 30, 1976, and require rental payments on a percentage-of-sales basis (plus payment of real estate taxes) with a minimum annual rental of $411,958. The leases require restoration of the dividing walls between the several leased buildings upon expiration of the leases. The cost of such restoration has not been provided for in the financial statements.

On February 24, 1958, the Company entered into a lease agreement covering a branch store to be erected in Dearborn, Michigan. This lease is for a period of twenty-five years with options permitting renewal for an additional twenty years, and calls for minimum annual rental of $150,000. The costs to be incurred for store fixtures and leasehold improvements will approximate $600,000.

## ACCOUNTANTS' REPORT

Board of Directors,
Crowley, Milner and Company,
Detroit, Michigan.

We have examined the financial statements of Crowley, Milner and Company for the year ended January 31, 1958. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of Crowley, Milner and Company at January 31, 1958, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Detroit, Michigan
March 17, 1958